

Briefing Retail sector

May 2015



Image: Disney Exhibition in Tianjin Joy City

SUMMARY

The first quarter witnessed a wave of department stores closing, which were inevitably undergoing painful retail transformation in the fast-growing retail environment. Tianjin's retail market will speed up this shuffling and reorganization in 2015.

- Only one new high-end project, Wuqing Veneto, was launched onto the city (excluding Binhai) market in Q1/2015, adding a total retail GFA of 90,000 sq m and pushing up total high-end retail stock to 3.2 million sq m.

- No new high-end projects were launched onto the Binhai New Area market in Q1/2015, with Binhai's mid- to high-end retail market stock remaining at 876,000 sq m.

- Tianjin City's (excl. Binhai) first-floor retail rents rose 1.1% quarter-on-quarter (QoQ) to RMB406 per sq m per

month, while occupancy rates dropped 0.2 of a percentage point (ppt) to 83.9% in Q1/2015.

- Binhai New Area's first-floor retail rents reached RMB228 per sq m per month, up 0.8% QoQ, while occupancy rates increased 0.8 of a ppt to 81.3%.

- Six high-end projects are expected to be launched onto the city (excl. Binhai) market in 2015, adding a total retail GFA of 427,000 sq m. Binhai New Area will receive two high-end projects with a total retail GFA of 453,000 sq m.

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 "In the age of e-commerce, an increasing number of retailers are embarking on online services and utilising O2O service platforms to better satisfy diverse customer demands and survive the fierce competition." Jonathan Wang, Savills Research

➔ **Market overview**

The accumulated retail sales in the first two months of 2015 rose 10.8% year-on-year to approximately RMB81.5 billion, mainly due to e-commerce. Along with the integration of Beijing-Tianjin-Hebei, the rising number of travellers through the city also contributed to the rise in local consumption.

Supply and stock

City (Excluding Binhai New Area)

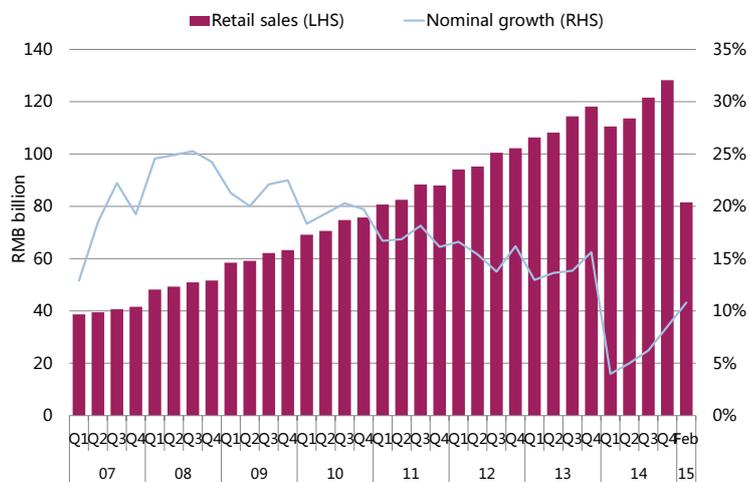
Only one new high-end project, Wuqing Veneto, was launched onto the city (excluding Binhai) market in Q1/2015, adding a total retail GFA of 90,000 sq m.

Veneto

Located to the north of Wuqing Railway Station, Veneto covers 90,000 sq m across multiple two- and three-storey buildings. Developed by Shui On Construction and Materials Development Ltd., affiliated with HK Shui On Group, the project offers more affordably priced international fashion brands, a good selection of restaurants together with a multiplex movie theatre and children’s corner. The opening of Veneto will foster the maturity of the Wuqing auxiliary retail area.

In Q1/2015, four department stores within the city (excl. Binhai) retail market closed: Hengtai Department Store in Xiaobailou area, Quanye Plaza and Far Eastern Department Store in Lao Chengxiang area, as well as Parkson in Heping-Binjiang-Nanjing Road. Hengtai Department Store announced its closure in February, as a result of underperformance. In the same month, Tianjin’s time-honoured Quanye Plaza closed its second store, which opened in 2010 in Lao Chengxiang. In March, Far Eastern Department Store was forced to withdraw from Causeway Bay Plaza, as the later was undergoing operational difficulties and decided to terminate the leasing contact early. Parkson stopped trading at the

GRAPH 1 **Retail sales, Q1/2007– Feb 2015**



Binhai New Area

No new high-end projects were launched onto the Binhai New Area market in Q1/2015, with Binhai's mid- to high-end retail market stock remaining at 876,000 sq m.

Rents and vacancy rates

City (Excluding Binhai New Area)

Tianjin city's (excl. Binhai) first-floor retail rents rose 1.1% QoQ to RMB406 per sq m per month, while occupancy rates dropped 0.2 of a ppt to 83.9% in Q1/2015.

Heping-Binjiang-Nanjing Road area saw a decrease in rents compared with last quarter, averaging RMB535 per sq m per month, down 3.6% QoQ.

Binhai New Area

Binhai New Area's first-floor retail rents reached RMB228 per sq m per month, up 0.8% QoQ, while occupancy rates increased 0.8 of a ppt to 81.3%.

Projects and retail stores

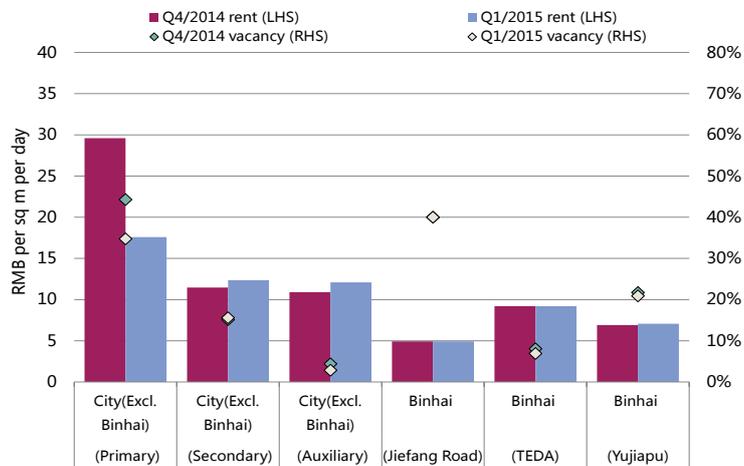
■ Tianjin (Konggang) European Trade Centre, developed by Tianjin Wanshun Real Estate, opened a boutique store in February, 2015. It is the first tariff-free imported commodity market in northern China, accommodating more than 60 international brands including Gucci, Burberry and Prada selling at discounts of up to 70%.

■ The Stellar World, a movie-themed shopping mall, developed by Tianjin North Film Group, opened in Dongli district in February, 2015.

■ JC City Block Outlets located in Jianxin City in Jinnan district opened in March. The project covers a total GFA of approximately 10,000 sq m and includes over 2,000 fashion brands.

■ The first Apple retail store in Tianjin opened in Joy City within Nankai district in February,

GRAPH 3 **Rents and vacancy rates, Q4/2014 VS Q1/2015**



Source: Savills, Project & Development Consultancy

becoming the sixteenth in mainland China.

■ L'Occitane, the French skin brand, opened a store in Tianjin Joy City in February, 2015.

■ Y-3 and New Balance, both famous sports brands, opened stores in Tianjin Riverside 66 in Heping district in Q1/2015.

Market outlook

Six high-end projects are expected to be launched onto the city (excl. Binhai) market in 2015, including Riverview Place (80,000 sq m) and Delight City (100,000 sq m), adding a total retail GFA of 427,000 sq m. Binhai New Area will receive two high-end projects with a total retail GFA of 453,000 sq m. The influx of supply is expected to lead to an increase in city-wide vacancy rates in the short- to mid-term, placing a downward pressure on rents.

As shopping malls become increasingly homogeneous, a number of projects are creating innovative ideas to stand out. For example, providing themed exhibitions and opening themed streets, brings customers a distinctive shopping experience, as well as increasing footfall and consumption levels. Due to

this innovative way of thinking, developing a theme for projects is likely to become a clear retail trend in the future.

With the growth of e-commerce, an increasing number of retailers have focussed on providing online services or have utilised the internet to improve customer experience and further satisfy diverse customer demands. In the fast-growing retail environment, outdated mall models are inevitably undergoing a retail transformation, which is expected to speed up shuffling and reorganisation of Tianjin's retail market in 2015. ■

* Note: Tianjin's retail market is divided into the city (excluding Binhai New Area) and Binhai New Area retail markets.

Project focus

Uni mall (环宇城购物中心)

Uni mall, located at the intersection of Tiedong Road and Zhicheng Road in Hebei district, with direct access to Tiedong station (metro line 3) from the basement level, is the retail component of Uni Park, co-developed by China Overseas Holdings Ltd. and Wharf Holdings.

The shopping mall has achieved a pre-leasing rate of 50% and includes anchor tenants such as Vanguard supermarket, Bona Cineplex and Molly Fantasy Children Playground, as well as brands such as H&M, Uniqlo and Watson. The project is expected to open in the second half of 2015.

Uni mall covers a total retail GFA of 76,000 sq m, with five floors above ground and two in basement levels. Aiming to be a one-stop shopping centre, the establishment will be capable of serving family entertainment demands in the vicinity and also fill the gap for large-scale and comprehensive shopping malls in the northern city.

GRAPH 4

Uni mall (环宇城购物中心)

Location	Intersection of Tiedong Rd and Zhicheng Rd, Hebei district	
Developer	China Overseas Holdings Ltd. and Wharf Holdings	
Retail GFA	76,000 sq m	
No. of floors	Five floors above ground plus two basement levels	
Estimated opening	2H/2015	

Source: Savills Research

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